

1 LERACH COUGHLIN STOIA GELLER
 2 RUDMAN & ROBBINS LLP
 3 SHAWN A. WILLIAMS (213113)
 4 100 Pine Street, Suite 2600
 5 San Francisco, CA 94111
 6 Telephone: 415/288-4545
 7 415/288-4534 (fax)
 8 shawnw@lerachlaw.com
 9 - and -
 10 WILLIAM S. LERACH (68581)
 11 DARREN J. ROBBINS (168593)
 12 TRAVIS E. DOWNS III (148274)
 13 655 West Broadway, Suite 1900
 14 San Diego, CA 92101
 15 Telephone: 619/231-1058
 16 619/231-7423 (fax)
 17 billl@lerachlaw.com
 18 darrenr@lerachlaw.com
 19 travisd@lerachlaw.com
 20 Attorneys for Plaintiff

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 NORTHERN DISTRICT OF CALIFORNIA

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12 UNITED STATES DISTRICT COURT
 13 NORTHERN DISTRICT OF CALIFORNIA

14 SAN JOSE DIVISION

15 WAYNE COUNTY EMPLOYEES'
 16 RETIREMENT SYSTEM, Derivatively on
 Behalf of ALTERA CORPORATION,

17 Plaintiff,

18 vs.

19 JOHN P. DAANE, ROBERT W. REED,
 20 DENIS M. BERLAN, NATHAN
 21 SARKISIAN, KATHERINE E. SCHUELKE,
 22 ROBERT J. FINOCCHIO, JR., KEVIN
 23 MCGARITY, PAUL NEWHAGEN,
 24 WILLIAM E. TERRY and SUSAN WANG,

25 Defendants,

26 - and -

27 ALTERA CORPORATION, a Delaware
 28 corporation,

29 Nominal Defendant.

VIA FAX

C 06 4352

30) VERIFIED SHAREHOLDER DERIVATIVE
 31) COMPLAINT FOR VIOLATION OF THE
 32) FEDERAL SECURITIES LAWS AND
 33) STATE LAW CLAIMS FOR BREACH OF
 34) FIDUCIARY DUTY, ABUSE OF
 35) CONTROL, CONSTRUCTIVE FRAUD,
 36) CORPORATE WASTE, UNJUST
 37) ENRICHMENT, GROSS
 38) MISMANAGEMENT, ACTION FOR
 39) ACCOUNTING AND VIOLATION OF
 40) CALIFORNIA CORPORATIONS CODE

41) DEMAND FOR JURY TRIAL

RMW

RS

NATURE OF THE ACTION

2 1. This is a shareholder derivative action brought by a shareholder of Altera Corporation
3 ("Altera" or the "Company") on behalf of the Company against its entire Board of Directors and
4 certain current officers and former top officers and/or directors (collectively, "Defendants"). This
5 action seeks to remedy Defendants' violations of federal and state law, including breaches of
6 fiduciary duty, abuse of control, constructive fraud, corporate waste, unjust enrichment and gross
7 mismanagement, arising out of a scheme and wrongful course of business whereby Defendants
8 allowed senior Altera insiders to divert hundreds of millions of dollars of corporate assets to
9 themselves via the manipulation of grant dates associated with hundreds of thousands of stock
10 options granted to Altera insiders. Each of the Defendants also participated in the concealment of
11 the backdating option scheme complained of herein and/or refused to take advantage of the
12 Company's legal rights to require these senior insiders to disgorge the hundreds of millions in
13 illicitly obtained incentive compensation and proceeds diverted to them since 1995.

14 2. Between 1996 and 2005, Defendants also caused Altera to file false and misleading
15 statements with the Securities and Exchange Commission (“SEC”), including Proxy Statements filed
16 with the SEC which stated that the options granted by Altera carried with them an exercise price that
17 was not less than the fair market value of Altera stock on the date of grant and issuance.

18 3. In fact, Defendants were aware that the practices employed by the Board allowed the
19 stock option grants to be *backdated* to dates when the Company's shares were trading at or near the
20 lowest price for that relevant period. By 2005, Defendants' backdating scheme had yielded stock
21 option grants to the Company's executive officers worth millions of dollars. These grants were
22 included in more than \$131.8 million in stock sale proceeds for Defendants.

23 4. Altera's financial results as reported and filed with the SEC were false. Defendants'
24 misrepresentations and wrongful course of conduct violated the Securities Exchange Act of 1934
25 (the "Exchange Act"), as well as California and Delaware law. By authorizing and/or acquiescing in
26 the stock option backdating scheme, Defendants: (i) caused Altera to issue false statements; (ii)
27 diverted hundreds of millions of dollars of corporate assets to senior Altera executives; and (iii)
28 subjected Altera to potential liability from regulators, including the SEC and the IRS.

1 5. Defendants' gross mismanagement and malfeasance over the past decade has exposed
2 Altera and its senior executives to criminal and civil liability for issuing false and misleading
3 financial statements. Specifically, defendants caused or allowed Altera to issue statements that
4 failed to disclose or misstated the following: (i) that the Company had problems with its internal
5 controls that prevented it from issuing accurate financial reports and projections; (ii) that because of
6 improperly recorded stock-based compensation expenses, the Company's financial results violated
7 Generally Accepted Accounting Principles ("GAAP"); and (iii) that the Company's public
8 disclosures presented an inflated view of Altera's earnings and earnings per share.

9 6. Defendants' malfeasance and mismanagement during the relevant period has wreaked
10 hundreds of millions of dollars of damages on Altera. The Company's senior executives were
11 incentivized to over-pay themselves, to profit from their misconduct by cashing in on under-priced
12 stock options and to issue false financial statements to cover up their misdeeds. Defendants'
13 breaches of fiduciary duties in the administration of the Company's stock option plans so polluted
14 the plans with grant date manipulations so as to void all grants made pursuant to the plans. The
15 Company has now been mentioned as one of several companies likely to have manipulated options.
16 Meanwhile, certain of the Defendants, who received under-priced stock options and/or knew
17 material non-public information regarding Altera's internal control problems, abused their fiduciary
18 relationship with the Company by selling over \$131.8 million worth of their personally held shares
19 at artificially inflated prices during the relevant period. This action seeks recovery for Altera against
20 these faithless fiduciaries, as Altera's Board of Directors, as currently composed, is simply unable or
21 unwilling to do so.

INTRADISTRICT ASSIGNMENT

23 7. A substantial part of the events or omissions which give rise to the claims in this
24 action occurred in the county of Santa Clara, and as such this action is properly assigned to the San
25 Jose division of this Court.

JURISDICTION AND VENUE

27 8. The claims asserted herein arise under §§10(b), 14(a) and 20(a) of the Exchange Act,
28 15 U.S.C. §§78j(b), 78n(a) and 78t(a), and Rule 10b-5, 17 C.F.R. §240.10b-5, promulgated

1 thereunder, and under California and Delaware law for breach of fiduciary duty, abuse of control,
2 constructive fraud, corporate waste, unjust enrichment and gross mismanagement. In connection
3 with the acts, conduct and other wrongs complained of herein, Defendants, directly or indirectly,
4 used the means and instrumentalities of interstate commerce, the United States mail and the facilities
5 of a national securities market.

6 9. This Court has subject matter jurisdiction pursuant to §27 of the Exchange Act, 15
7 U.S.C. §78aa, as well as 28 U.S.C. §§1331 and 1337. This Court also has supplemental jurisdiction
8 over the state law claims asserted herein pursuant to 28 U.S.C. §1337.

9 10. This action is not a collusive one to confer jurisdiction on a court of the United States
10 which it would not otherwise have.

11 11. Venue is proper in this district pursuant to §27 of the Exchange Act, 15 U.S.C. §78aa,
12 as well as 28 U.S.C. §1391(b). Many of the acts charged herein, including the preparation and
13 dissemination of materially false and misleading information, occurred in substantial part in this
14 District. Altera is located in and conducts its business in this District. Further, Defendants conduct
15 business in this District, and certain of the Defendants are citizens of California and reside in this
16 District.

PARTIES

18 12. Plaintiff Wayne County Employees' Retirement System is, and at all times relevant
19 hereto was, a shareholder of Altera.

20 13. Nominal party Altera designs, manufactures and markets programmable logic
21 devices, HardCopy structured application-specific integrated circuit devices, pre-defined design
22 building blocks known as intellectual property cores and associated development tools. The
23 Company's programmable logic devices, which consist of field-programmable gate arrays and
24 complex programmable logic devices are semiconductor integrated circuits that are manufactured as
25 standard chips that its customers program to perform desired logic functions within their electronic
26 systems. Altera maintains its corporate headquarters at 101 Innovation Drive, San Jose, California.

27 14. Defendant John P. Daane ("Daane") joined the Company as President and Chief
28 Executive Officer in November 2000, and was named Chairman of the Board in May 2003. He has

1 served as one of the Company's directors since December 2000. At all relevant times, Daane
 2 actively participated in the management of Altera's daily business affairs and finances. He also
 3 actively participated in the preparation, review and approval of Altera's publicly reported financial
 4 results and financial statements for 2000-2005, as well as the corresponding reports on SEC Form
 5 10-K and press releases. Based on his knowledge of material non-public information regarding the
 6 Company, defendant Daane violated Cal. Corp. Code §§25402 and 25502.5 by selling 230,000
 7 Altera shares for insider trading proceeds of more than \$4.9 million.

8 15. Defendant Robert W. Reed ("Reed") has served as one of the Company's directors
 9 since October 1994 and as the Company's Vice Chairman of the Board since January 2001. In
 10 January 2003, he was elected Lead Independent Director. At all relevant times, Reed served on the
 11 Audit Committee of the Altera Board. The Audit Committee approved Altera's false financial
 12 statements and financial results between 1996-2005. Reed also actively participated in the
 13 preparation, review and approval of Altera's publicly reported financial results and financial
 14 statements for 1996-2005, as well as the corresponding reports on SEC Form 10-K and press
 15 releases. Based on his knowledge of material non-public information regarding the Company,
 16 defendant Reed violated Cal. Corp. Code §§25402 and 25502.5 by selling 360,040 Altera shares for
 17 insider trading proceeds of more than \$8.0 million.

18 16. Defendant Denis M. Berlan ("Berlan") joined the Company in December 1989 as
 19 Vice President, Product Engineering and was named Vice President, Operations and Product
 20 Engineering in October 1994. In January 1996, he was named Vice President, Operations. In
 21 January 1997, he was named Executive Vice President and Chief Operating Officer. Berlan actively
 22 participated in the preparation, review and approval of Altera's publicly reported financial results
 23 and financial statements for 1996-2005, as well as the corresponding reports on SEC Form 10-K and
 24 press releases. Based on his knowledge of material non-public information regarding the Company,
 25 defendant Berlan violated Cal. Corp. Code §§25402 and 25502.5 by selling 1.261 million Altera
 26 shares for insider trading proceeds of more than \$27.5 million.

27 17. Defendant Nathan Sarkisian ("Sarkisian") joined the Company in June 1992 as
 28 Corporate Controller. He was appointed Vice President, Finance and Chief Financial Officer in

1 August 1995 and Senior Vice President and Chief Financial Officer in March 1998. Sarkisian also
2 actively participated in the preparation, review and approval of Altera's publicly reported financial
3 results and financial statements for 1996-2005, as well as the corresponding reports on SEC Form
4 10-K and press releases. Based on his knowledge of material non-public information regarding the
5 Company, defendant Sarkisian violated Cal. Corp. Code §§25402 and 25502.5 by selling 1.43
6 million Altera shares for insider trading proceeds of more than \$35.3 million.

7 18. Defendant Katherine E. Schuelke ("Schuelke") joined the Company in March 1996 as
8 Corporate Attorney. She became Senior Corporate Attorney in July 1997 and Assistant General
9 Counsel and Assistant Secretary in July 1999. In October 2001, she was appointed Vice President,
10 General Counsel and Secretary. Schuelke also actively participated in the preparation, review and
11 approval of Altera's publicly reported financial results and financial statements for 1996-2005, as
12 well as the corresponding reports on SEC Form 10-K and press releases. Based on her knowledge of
13 material non-public information regarding the Company, defendant Schuelke violated Cal. Corp.
14 Code §§25402 and 25502.5 by selling 72,276 Altera shares for insider trading proceeds of more than
15 \$1.43 million.

16 19. Defendant Robert J. Finocchio, Jr. ("Finocchio") has served as one of the directors of
17 the Company since January 2002. At all relevant times, Finocchio served on the Audit Committee
18 of the Altera Board. The Audit Committee approved Altera's false financial statements and financial
19 results between 2002-2005. Finocchio also actively participated in the preparation, review and
20 approval of Altera's publicly reported financial results and financial statements for 2002-2005, as
21 well as the corresponding reports on SEC Form 10-K and press releases.

22 20. Defendant Kevin McGarity ("McGarity") has served as one of the Company's
23 directors since March 2004. At all relevant times, McGarity served on the Compensation Committee
24 of the Altera Board.

25 21. Defendant Paul Newhagen ("Newhagen") has served as one of the Company's
26 directors since July 1987. Based on his knowledge of material non-public information regarding the
27 Company, defendant Newhagen violated Cal. Corp. Code §§25402 and 25502.5 by selling 2.4
28 million Altera shares for insider trading proceeds of more than \$44.53 million.

1 22. Defendant William E. Terry (“Terry”) has served as one of the Company’s directors
2 since August 1994. At all relevant times, Terry served on the Compensation and Nominating and
3 Governance Committees of the Altera Board. Based on his knowledge of material non-public
4 information regarding the Company, defendant Terry violated Cal. Corp. Code §§25402 and 25502.5
5 by selling 430,000 Altera shares for insider trading proceeds of more than \$10.03 million.

6 23. Defendant Susan Wang (“Wang”) has served as one of the Company’s directors since
7 October 2003. At all relevant times, Wang served on the Audit Committee of the Altera Board.

8 24. The defendants identified in ¶¶14-15 and 19-23 are referred to herein as the "Director
9 Defendants." The defendants identified in ¶¶14 and 16-18 are referred to herein as the "Officer
10 Defendants." The defendants identified in ¶¶14-18 and 21-22 are referred to herein as the "Insider
11 Selling Defendants."

DEFENDANTS' DUTIES

13 25. Each of the Defendants owed the Company the duty to exercise a high degree of due
14 care, loyalty and good faith in the performance of their individual responsibilities with respect to the
15 management and administration of the affairs of Altera, as well as the duty of full and candid
16 disclosure of all material facts related thereto. In addition, under applicable law, these Defendants
17 owed to Altera the duty to exercise care that public statements regarding the Company and its
18 business and finances were accurate, complete and truthful and not in any way materially
19 misleading. The conduct of Altera's officers and directors who illegally engaged in insider trading
20 in violation of Cal. Corp. Code §§25402 and 25502.5 has been ratified by Altera's Board, which
21 failed to take action against them.

22 26. By reason of their positions as officers, directors and fiduciaries of Altera and
23 because of their ability to control the business and corporate affairs of the Company, the Defendants
24 owed Altera and its shareholders fiduciary obligations of candor, trust, loyalty and care, and were
25 required to use their ability to control and manage Altera in a fair, just, honest and equitable manner,
26 and to act in furtherance of the best interests of Altera and its shareholders so as to benefit all
27 shareholders equally and not in furtherance of their personal interest or benefit. In addition, as
28 officers and/or directors of a publicly held company, the Defendants had a duty to refrain from

1 utilizing their control over Altera to divert assets to themselves via improper and/or unlawful
 2 practices. Defendants also had a duty to promptly disseminate accurate and truthful information
 3 with respect to the Company's operations, earnings and compensation practices.

4 27. Because of their positions of control and authority as directors or officers of Altera,
 5 each of the Defendants was able to and did, directly and indirectly, control the wrongful acts
 6 complained of herein. As to the Director Defendants, these acts include: (i) agreement to and/or
 7 acquiescence in Defendants' option backdating scheme; (ii) willingness to cause Altera to
 8 disseminate false Proxy Statements for 1996-2005, which Proxy Statements failed to disclose
 9 Defendants' option backdating scheme and omitted the fact that executive officers were allowed to
 10 backdate their stock option grants in order to manipulate the strike price of the stock options they
 11 received. Because of their positions with Altera, each of the Defendants was aware of these
 12 wrongful acts, had access to adverse non-public information and was required to disclose these facts
 13 promptly and accurately to Altera shareholders and the financial markets but failed to do so.

14 28. Between 1996 and 2005, Defendants repeated in each Proxy Statement that the stock
 15 option grants made during that period carried an exercise price that was not less than the fair market
 16 value of Altera stock on the date granted, as calculated by the public trading price of the stock at the
 17 market's close on that date. However, Defendants concealed until May 2006 that the stock option
 18 grants were repeatedly and consciously *backdated* to ensure that the strike price associated with the
 19 option grants was at or near the lowest trading price for that fiscal period. Due to Defendants'
 20 breach of their fiduciary duty in the administration of the stock option plans, plaintiff seeks to have
 21 the directors' and officers' plans voided and gains from those plans returned to the Company. In the
 22 alternative, plaintiff seeks to have all of the unexercised options granted to defendants between 1996
 23 and 2000 cancelled, the financial gains obtained via the exercise of such options returned to the
 24 Company and to have Defendants revise the Company's financial statements to reflect the truth
 25 concerning these option grants.

26 29. To discharge their duties, Defendants were required to exercise reasonable and
 27 prudent supervision over the management and financial affairs of Altera. By virtue of this
 28 obligation, these Defendants were required, among other things:

(a) to, in good faith, manage, conduct, supervise and direct the business and affairs of Altera carefully and in good faith in accordance with state and federal laws and regulations and the articles and by-laws of Altera;

(b) to exercise reasonable control and supervision over the officers and employees of Altera;

(c) to exercise reasonable care and good faith in evaluation of the prudence and soundness of policies and practices proposed to be undertaken by Altera;

(d) to ensure that Altera did not engage in unsafe, imprudent or unsound practices and that Altera complied with all applicable laws and regulations;

(e) to establish guidelines and policies adequately governing the structure and organization of the Company's operations;

(f) to establish guidelines and policies adequately governing Altera's accounting practices;

(g) to neither violate nor knowingly permit any officer, director or employee of Altera to violate Cal. Corp. Code §§25402 and 25502.5;

(h) to maintain a proper division of authority and responsibility among the officers and directors of Altera so as to prevent the dominance of any officer or director in the conduct of the business and affairs of Altera;

(i) to ensure that Altera did not engage in unsafe, imprudent or unsound practices and to become and remain informed as to how Altera was, in fact, operating;

(j) to maintain and implement an adequate and functioning system of internal financial and accounting controls and management information systems, such that Altera's assets would be safeguarded, its financial statements and information would be accurately recorded and reported, and corporate managers would be given prompt notice of serious problems or divergences so that risk to the corporation would be minimized; and

(k) to supervise the preparation and filing of financial results and financial statements required by law from Altera, including the Company's Reports on Form 10-K, and to examine and evaluate any reports of examination, audits, or other information required by law

1 concerning the financial condition of Altera and to make full and accurate disclosure of all material
2 facts concerning, among other things, each of the subjects and duties set forth above.

3 30. As officers, directors and/or controlling persons of a publicly held company whose
4 common stock was, at all relevant times, registered with the SEC, Defendants had a duty to promptly
5 disseminate accurate and truthful information with respect to the Company's publicly reported
6 financial results and financial statements, products, management, earnings, and present and future
7 business prospects, to correct any previously issued statements from any source that had become
8 untrue, and to disclose any trends that would materially affect earnings and the present and future
9 financial operating results of Altera, so that the market price of the Company's stock would be based
10 upon truthful and accurate information.

12 31. At all relevant times, Defendants occupied positions with Altera or were associated
13 with the Company in such a manner as to make them privy to confidential proprietary information
14 concerning Altera, its operations, finances, financial condition, products and present and future
15 business prospects. Because of these positions and such access, each of these Defendants knew or
16 recklessly disregarded that the adverse facts specified herein had not been disclosed to and were
17 being concealed from the public.

18 32. Notwithstanding their duty to refrain from trading in Altera stock while in the
19 possession of material, adverse, non-public information concerning Altera, Altera's top insiders,
20 with Defendants' knowledge or approval, sold more than 6.2 million shares of Altera stock at
21 artificially inflated prices for proceeds of almost \$131.8 million, in direct violation of Cal. Corp.
22 Code §§25402 and 25502.5.

AIDING AND ABETTING AND CONCERTED ACTION

24 33. In committing the wrongful acts alleged herein, Defendants have pursued or joined in
25 the pursuit of a common course of conduct and acted in concert with one another in furtherance of
26 their common plan.

1 34. During all times relevant hereto, Defendants collectively and individually initiated a
2 course of conduct which was designed to and did: (i) conceal the fact that the Company was
3 allowing its directors and senior officers to divert hundreds of millions of dollars to Altera insiders
4 and directors and causing Altera to misrepresent its financial results; (ii) maintain Defendants'
5 executive and directorial positions at Altera and the profits, power and prestige which Defendants
6 enjoyed as a result of these positions; and (iii) deceive the investing public, including shareholders of
7 Altera, regarding Defendants' compensation practices and Altera's financial performance.

8 35. The purpose and effect of Defendants' common course of conduct was, among other
9 things, to disguise Defendants' violations of law, breaches of fiduciary duty, abuse of control, gross
10 mismanagement, corporate waste and unjust enrichment, to conceal adverse information concerning
11 the Company's operation and financial condition and to artificially inflate the price of Altera
12 common stock so they could dispose of millions of dollars of their own Altera shares, and enhance
13 their executive and directorial positions and receive the substantial compensation they obtained as a
14 result thereof.

15 36. Defendants accomplished their common enterprise and/or common course of conduct
16 by causing the Company to purposefully and/or recklessly engage in the option backdating scheme
17 alleged herein and misrepresent Altera's financial results. Each of the Defendants was a direct,
18 necessary, and substantial participant in the common enterprise and/or common course of conduct
19 complained of herein.

20 37. Each of the Defendants aided and abetted and rendered substantial assistance in the
21 wrongs complained of herein. In taking such actions to substantially assist the commission of the
22 wrongdoing complained of herein, each of the Defendants acted with knowledge of the primary
23 wrongdoing, substantially assisted the accomplishment of that wrongdoing, and was aware of his or
24 her overall contribution to and furtherance of the wrongdoing.

BACKGROUND

26 38. Altera designs, manufactures and markets programmable logic devices, HardCopy
27 structured application-specific integrated circuit devices, pre-defined design building blocks known
28 as intellectual property cores and associated development tools. The Company's programmable

1 logic devices, which consist of field-programmable gate arrays and complex programmable logic
2 devices are semiconductor integrated circuits that are manufactured as standard chips that its
3 customers program to perform desired logic functions within their electronic systems.

4 39. A stock option can give the holder the right to buy stock at a certain price in the
5 future. Typically, companies set that price at the same time their directors approve an option grant,
6 with an exercise price – also known as the strike price – usually set at the closing price of the stock
7 that day, the closing price of the night before or by computing an average of the high and low prices
8 on the day of the vote. By manipulating the grant dates, Altera was able to provide executives and
9 employees with the lowest possible exercise price. The lower the exercise price, the worse off
10 Altera was because it would receive less cash for the option purchased. However, such manipulation
11 would allow the director, officer or other employee to increase the amount he would pocket by a
12 commensurate amount. So, as insiders, Defendants were motivated to “cherry pick” the dates on
13 which the prices would be set.

THE STOCK OPTION GRANTS

15 40. On June 21, 2006, Altera announced plans to restate results from 1996 through 2005
16 to correct its accounting to reflect extra stock-based compensation charges. The Company issued a
17 press release on June 21, 2006, after the market closed, entitled "Altera Announced Expected
18 Restatement Related to Stock-Based Compensation." The release stated:

19 Altera Corporation today announced that it expects to restate its previously issued
20 financial statements to correct errors related to accounting for stock-based
compensation expense.

21 As previously announced, the company's board of directors has established a
22 special committee of independent directors to review the company's historical stock
23 option practices and related accounting. The special committee is being assisted by
independent legal counsel and outside accounting experts. At this time, the special
committee has not completed its work nor reached its final conclusions and is
continuing its review.

25 The special committee has reached a preliminary conclusion that the actual
26 measurement dates for certain stock option grants issued between 1996 and 2000
27 differ from the recorded grant dates for such awards. As a result, Altera expects to
28 record additional non-cash charges for stock-based compensation expense in prior
periods. Altera believes that these charges are material and, accordingly, expects to
restate its financial statements for the fiscal years ended 1996 through 2005. The
company has not yet determined the tax impact that may result from this matter.
Based on information presently available, the company does not anticipate that the

1 restatement will result in a material charge to fiscal year 2005. Because the special
 2 committee's review is still ongoing there may be additional years subject to
 3 restatement and the impact to fiscal year 2005 may be different than presently
 4 anticipated.

5 Accordingly, on June 19, 2006, the company's audit committee, after
 6 consultation with management and the special committee, determined that Altera's
 7 financial statements and any related reports of its independent registered public
 8 accounting firm for the fiscal years ended 1996 through 2005 should no longer be
 9 relied upon. Altera intends to file its restated financial statements and its quarterly
 10 report for the period ended March 31, 2006, as soon as practicable after the
 11 completion of the special committee's investigation.

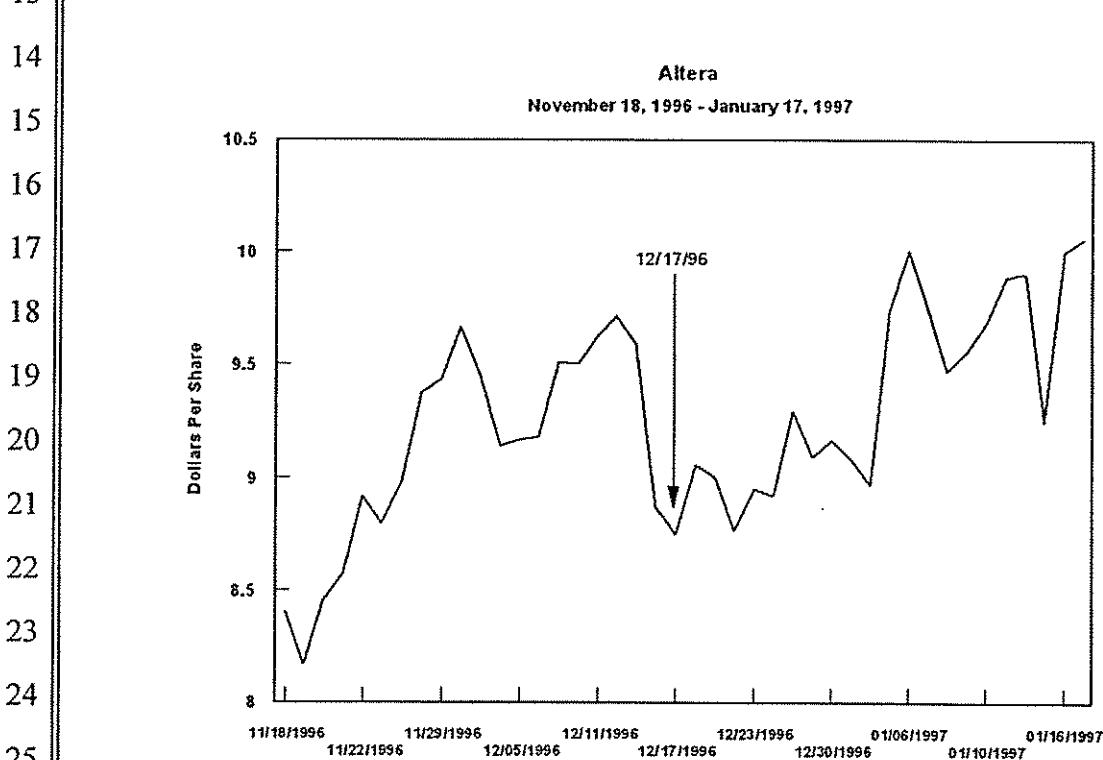
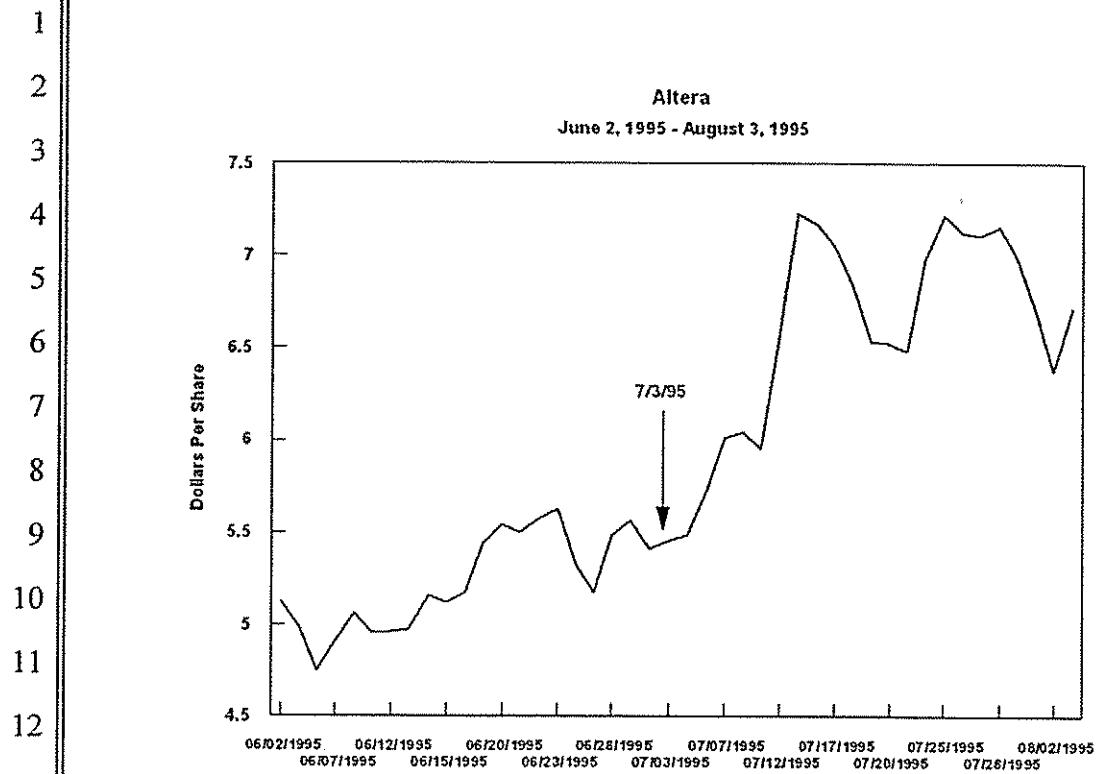
12 The audit committee has discussed the above matters with the company's
 13 independent registered public accounting firm. However, as the special committee's
 14 review has not been completed, the final conclusions of its review are not yet known
 15 to the independent registered public accounting firm.

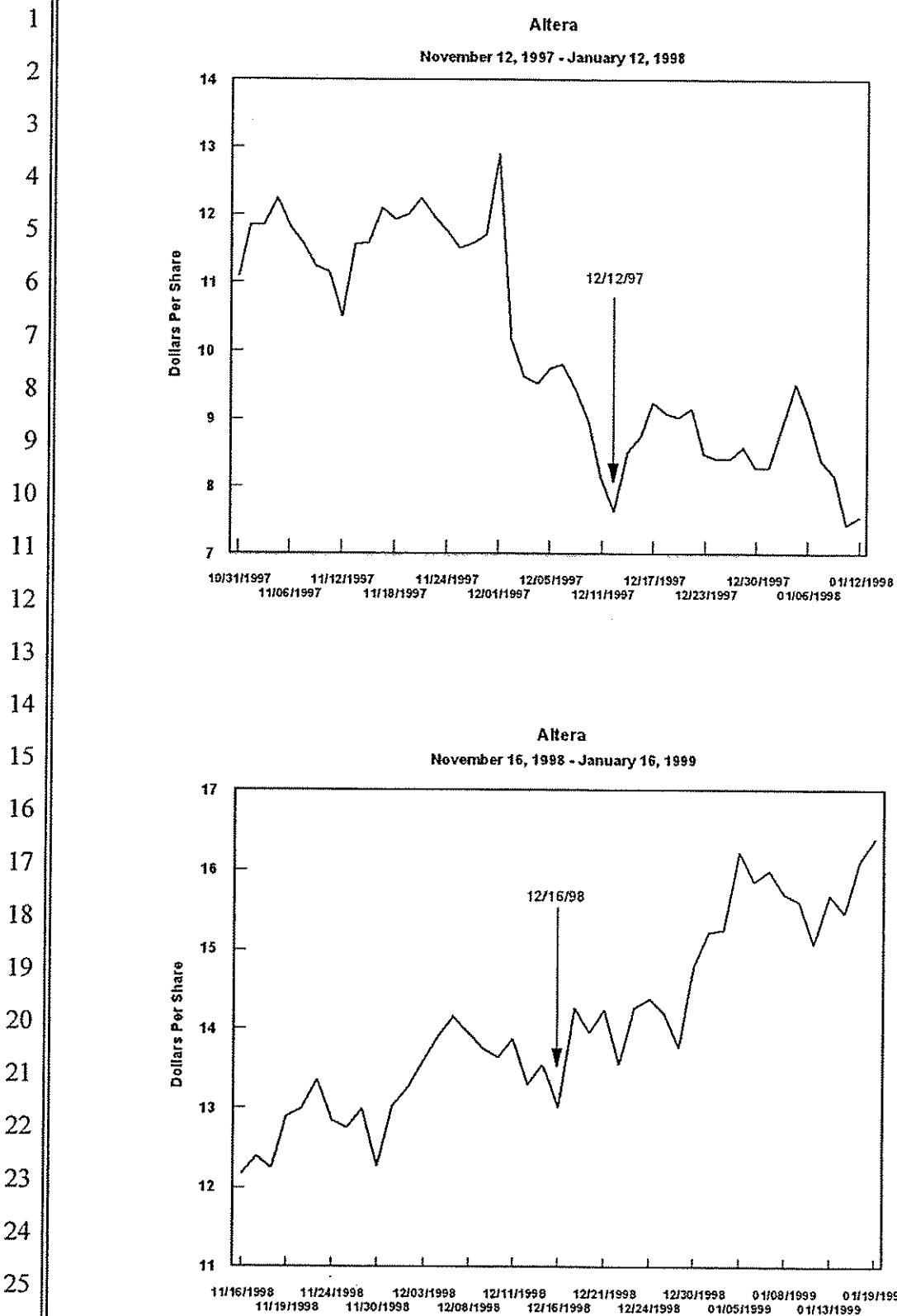
16 Additionally, Altera is evaluating Management's Report on Internal Controls
 17 Over Financial Reporting set forth in the company's Annual Report on Form 10-K
 18 for the fiscal year ended December 30, 2005. Although the company has not yet
 19 completed its analysis of the impact of this situation on its internal controls over
 20 financial reporting, the company has determined that it is likely that it had a material
 21 weakness in internal control over financial reporting as of December 30, 2005.

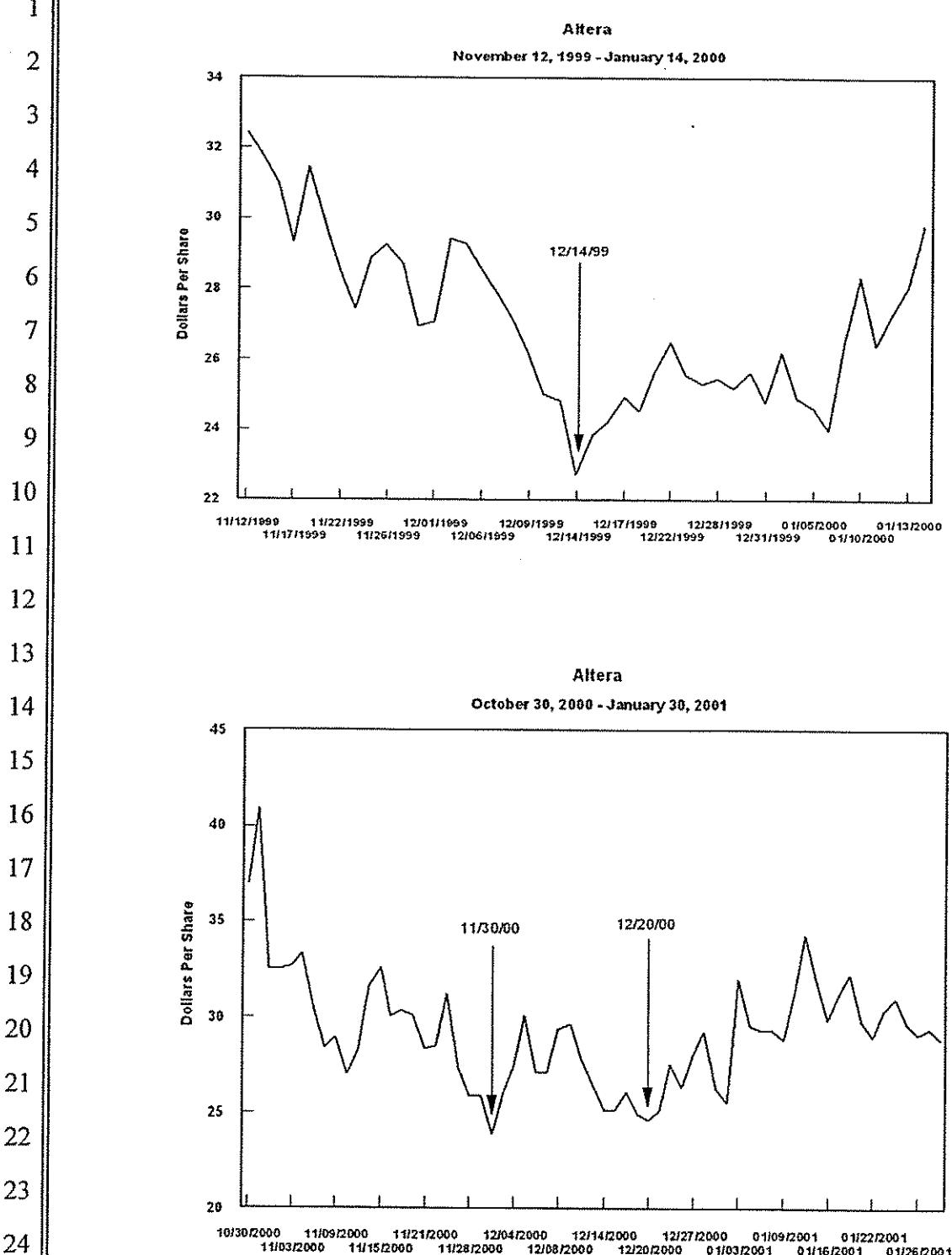
22 Any stock-based compensation charges incurred as a result of the restatement
 23 would have the effect of decreasing reported income or increasing reported loss from
 24 operations, and decreasing reported net income or increasing reported net loss, and
 25 decreasing reported retained earnings figures contained in Altera's historical
 26 financial statements for the periods mentioned above. Altera does not expect that the
 27 anticipated restatement will have any impact on its historical revenues.

28 Altera expects to announce second quarter revenue results and third quarter
 1 revenue guidance on July 24, 2006. The company will not be in a position to
 2 announce additional financial results for the second quarter until the special
 3 committee has completed its investigation and the company has filed its restated
 4 financial statements and its quarterly report for the period ended March 31, 2006.

5 41. Below are several of Altera's grants which occurred right before significant stock
 6 price increases (adjusted for stock split):







1 42. Complicating matters and magnifying the harm to Altera, during the relevant period,
 2 Altera's internal controls and accounting controls with respect to option grants and exercises, and its
 3 financial reporting, were grossly inadequate. The weaknesses allowed dates of both grants and
 4 exercises to be manipulated and the Company's executive compensation expenses to be materially
 5 understated. They also allowed grant dates to be changed to provide executives with more favorably
 6 priced options, in effect augmenting their compensation, with no benefit running to the Company.

7 43. Specifically, in many instances the reported dates Altera stock options were granted
 8 differed from the dates on which the options appear to have been actually granted. The practice
 9 applied to the overwhelming majority of stock option grants made during the relevant period, which
 10 allowed executives and employees to make more money on their options because it set a lower
 11 "strike price" at which the options could be exercised, allowing employees to take larger profits
 12 when the stock price later rose. Complicating matters and magnifying the harm to Altera, during the
 13 relevant period, Altera's internal controls and accounting controls with respect to option grants and
 14 exercises, and its financial reporting, were grossly inadequate. The weaknesses allowed dates of both
 15 grants and exercises to be manipulated and the Company's executive compensation expenses to be
 16 materially understated. They also allowed grant dates to be changed to provide executives with
 17 more favorably priced options, in effect augmenting their compensation, with no benefit running to
 18 the Company.

19 44. Specifically, in many instances the reported dates Altera stock options were granted
 20 differed from the dates on which the options appear to have been actually granted. The practice
 21 applied to the overwhelming majority of stock option grants made during the relevant period, which
 22 allowed executives and employees to make more money on their options because it set a lower
 23 "strike price" at which the options could be exercised, allowing employees to take larger profits
 24 when the stock price later rose. *In almost every case of misdating, the price of Altera shares on the*
 25 *reported option-grant date was lower than the share price on the actual day the options were*
 26 *issued.*

27 45. Through their fiduciary duties of care, good faith and loyalty, the Defendants owed to
 28 Altera a duty to ensure that the Company's financial reporting fairly presented, in all material

1 respects, the operations and financial condition of the Company. In order to adequately carry out
 2 these duties, it is necessary for the Defendants to know and understand the material non-public
 3 information to be either disclosed or omitted from the Company's public statements. This material
 4 non-public information included the problems Altera faced because of its deficient internal controls.
 5 Furthermore, defendants Reed, Finocchio and Wang, as members of the Audit Committee during the
 6 relevant period, had a special duty to know and understand this material information as set out in the
 7 Audit Committee's charter, which provides that the Audit Committee is responsible for reviewing, in
 8 conjunction with management, the Company's policies generally with respect to the Company's
 9 earnings press releases and with respect to financial information and earnings guidance provided to
 10 analysts and rating agencies. Defendants Daane, Berlan, Sarkisian and Schuelke, as officers of
 11 Altera, had ample opportunity to discuss this material information with their fellow officers at
 12 management meetings and via internal corporate documents and reports. Moreover, the Director
 13 Defendants had ample opportunity to discuss this material information with fellow directors at any
 14 of the scores of Board meetings that occurred during the relevant period as well as at committee
 15 meetings of the Board. Despite these duties, Defendants negligently, recklessly, and/or intentionally
 16 caused or allowed, by their actions or inactions, the misleading statements to be disseminated by
 17 Altera to the investing public and the Company's shareholders during the relevant period.

18 46. Specifically, since 1996, Defendants have caused Altera to report false and
 19 misleading fiscal and quarterly financial results which materially understated its compensation
 20 expenses and thus overstated its earnings as follows (adjusted for splits):

21	Fiscal Year	Reported Sales	Reported Earnings	Reported Basic
22			(Loss)	EPS
23	1996	\$497.3M	\$109.1M	\$0.29
24	1997	\$631.1M	\$133.5M	\$0.39
25	1998	\$654.3M	\$154.4M	\$0.39
26	1999	\$836.6M	\$224.0M	\$0.53
27	2000	\$1.377B	\$(39.8M)	\$0.96
28	2001	\$839.4M	\$91.3M	\$(0.10)
	2002	\$711.7M	\$155.1M	\$0.20
	2003	\$827.2M	\$275.1M	\$0.35
	2004	\$1.016B	\$278.8M	\$0.74
	2005	\$1.124B		

1 47. Meanwhile, Defendants were causing the Company to grant them millions of stock
 2 options, many of which were misdated.

3 48. Moreover, throughout the relevant period certain Defendants exercised many of these
 4 stock options permitting them to sell over \$131.8 million worth of Altera stock they obtained often
 5 by cashing in under-priced stock options:

6 DEFENDANT	7 DATES OF SALES	8 SHARES SOLD	9 PROCEEDS RECEIVED
10 DAANE	11 11/3/03-6/9/04	12 230,000	13 \$4,909,900
14 REED	15 4/18/97-7/30/01	16 360,040	17 \$8,012,113
18 BERLAN	19 1/2/97-5/5/06	20 1,261,048	21 \$27,556,782
22 SARKISIAN	23 1/25/96-5/8/06	24 1,438,032	25 \$35,313,936
26 SCHUELKE	27 2/28/02-4/27/05	28 72,276	29 \$1,433,622
30 NEWHAGEN	31 10/14/96-5/1/06	32 2,442,421	33 \$44,532,373
34 TERRY	35 2/18/00-2/2/06	36 430,000	37 \$10,037,700
38 TOTAL		39 6,233,817	40 \$131,796,426

41 49. On May 8, 2006, Altera announced that the Company would be forced to review the
 42 Company's historical stock options granting practices from 1996 to 2000, stating:

43 Altera Corporation today announced that, as a result of management's recent review
 44 of the company's stock option practices, and issues concerning options granted
 45 during the period 1996 through 2000, the company's board of directors has
 46 established a special committee of independent directors to review the company's
 47 historical stock option practices and related accounting. The special committee will
 48 be assisted by independent legal counsel and outside accounting experts.
 49 Management initiated its review following recent media reports regarding stock
 50 option practices at other companies. Although the impact to the company's historical
 51 financial statements is not yet known, the company does not expect the review to
 52 result in material changes to its historical revenues or non-option related operating
 53 expenses. In light of this review, the company will not be able to file its Form 10-Q
 54 for the first quarter of 2006, which is due on May 10, 2006. The company is not
 55 seeking a five-day extension to file its Form 10-Q because it does not believe it can
 56 complete its review by the end of the allowed extension period. Altera does not
 57 anticipate that these developments will change the timing of its second quarter
 58 business update, currently scheduled for release after the market closes on May 30,
 59 2006.

60 50. Then, on May 17, 2006, Altera announced the Company received a notice from
 61 Nasdaq officials informing it that it was not in compliance with the exchange's regulations because
 62 of its decision to delay the filing of its quarterly earnings report. The Nasdaq Staff Determination
 63 notice said that Altera's stock will be delisted from the exchange unless Altera requests a hearing
 64 before a special Nasdaq panel, stating:

Altera Corporation today announced that it has received a Nasdaq Staff Determination notice stating that the company is not in compliance with Nasdaq Marketplace Rule 4310(c)(14) because it has not timely filed its Quarterly Report on Form 10-Q for the period ended March 31, 2006. The Nasdaq Staff Determination notice indicated that Altera's securities will be delisted from the Nasdaq Stock Market unless Altera requests a hearing before a Nasdaq Listing Qualifications Panel. Accordingly, Altera will request a hearing to review the Nasdaq Staff Determination. Pending a decision by the hearing panel, Altera's common stock will remain listed on The Nasdaq National Market. However, there can be no assurance that the hearing panel will grant the company's request for continued listing.

51. In effect, since 1996 at the latest, defendants caused Altera shares to trade at artificially inflated levels by issuing a series of materially false and misleading statements regarding the Company's financial results. These financial results misrepresented and omitted to disclose that the Company had problems with its internal controls that prevented it from issuing accurate financial reports and that because of improperly recorded stock-based compensation expenses the Company's publicly reported financial statements and results presented an inflated view of Altera's earnings and EPS.

52. In the wake of these disclosures, Altera's stock price traded at depressed levels.

53. Worse yet, the members of Altera's Board of Directors refuse to take any remedial actions against their fellow Board members and business allies responsible for the improper reporting of the Company's stock-based compensation since 1996, although many of these same Defendants pocketed \$131.8 million in unlawful insider trading proceeds, by bailing out of their own Altera stock while it traded at prices artificially inflated by Defendants' false statements about Altera's financial results.

DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS

54. Plaintiff brings this action derivatively in the right and for the benefit of Altera to redress injuries suffered and to be suffered by Altera as a direct result of Defendants' violations of state and federal law, breaches of fiduciary duty, abuse of control, constructive fraud, gross mismanagement and waste of corporate assets, as well as the aiding and abetting thereof, by the Defendants.

55. Plaintiff will adequately and fairly represent the interests of Altera and its shareholders in enforcing and prosecuting its rights.

1 56. Plaintiff is an owner of Altera stock and was an owner of Altera stock during times
 2 relevant to Defendants' illegal and wrongful course of conduct alleged herein.

3 57. Based upon the facts set forth throughout this Complaint, a pre-filing demand upon
 4 the Altera Board of Directors to institute this action against the officers and members of the Altera
 5 Board of Directors is excused as futile. A pre-filing demand would be a useless and futile act
 6 because:

7 (a) The members of Altera's Board have demonstrated their unwillingness and/or
 8 inability to act in compliance with their fiduciary obligations and/or to sue themselves and/or their
 9 fellow directors and allies in the top ranks of the corporation for the violations of law complained of
 10 herein. These are people they have developed professional relationships with, who are their friends
 11 and with whom they have entangling financial alliances, interests and dependencies, and therefore,
 12 they are not able to and will not vigorously prosecute any such action.

13 (b) The Altera Board of Directors and senior management participated in,
 14 approved and/or permitted the wrongs alleged herein to have occurred and participated in efforts to
 15 conceal or disguise those wrongs from Altera's stockholders or recklessly and/or consciously
 16 negligently disregarded the wrongs complained of herein, and are therefore not disinterested parties.
 17 As a result of their access to and review of internal corporate documents, conversations and
 18 connections with other corporate officers, employees, and directors, and attendance at management
 19 and/or Board meetings, each of the Defendants knew the adverse non-public information regarding
 20 the improper stock option grants and financial reporting. Pursuant to their specific duties as Board
 21 members, Defendants are charged with the management of the Company and to conduct its business
 22 affairs. Defendants breached the fiduciary duties that they owed to Altera in that they failed to
 23 prevent and correct the improper stock option granting and financial reporting. Certain directors are
 24 also dominated and controlled by the other Defendants and cannot act independently of them. Thus,
 25 the Altera Board cannot exercise independent objective judgment in deciding whether to bring this
 26 action or whether to vigorously prosecute this action because each of its members participated
 27 personally in the wrongdoing or are dependent upon other Defendants who did.

28

1 (c) The acts complained of constitute violations of the fiduciary duties owed by
2 Altera's officers and directors and these acts are incapable of ratification.

3 (d) The members of Altera's Board have benefited, and will continue to benefit,
4 from the wrongdoing herein alleged and have engaged in such conduct to preserve their positions of
5 control and the perquisites derived thereof, and are incapable of exercising independent objective
6 judgment in deciding whether to bring this action.

7 (e) Altera has been and will continue to be exposed to significant losses due to the
8 wrongdoing complained of herein, yet Altera's Board has not filed any lawsuits against Defendants
9 or others who were responsible for that wrongful conduct to attempt to recover for Altera any part of
10 the damages Altera suffered and will suffer thereby.

11 (f) Altera's directors would have to sue themselves and the other Defendants,
12 requiring them to expose themselves and their comrades to millions of dollars in civil liability and/or
13 sanctions. This they will not do.

14 (g) Altera's current and past officers and directors are protected against personal
15 liability for their acts of mismanagement, waste and breach of fiduciary duty alleged in this
16 Complaint by directors' and officers' liability insurance which they caused the Company to purchase
17 for their protection with corporate funds, *i.e.*, monies belonging to the stockholders of Altera.
18 However, due to certain changes in the language of directors' and officers' liability insurance
19 policies in the past few years, the directors' and officers' liability insurance policies covering the
20 Defendants in this case contain provisions which eliminate coverage for any action brought directly
21 by Altera against these Defendants, known as, *inter alia*, the "insured versus insured exclusion." As
22 a result, if these directors were to sue themselves or certain of the officers of Altera, there would be
23 no directors' and officers' insurance protection and thus, this is a further reason why they will not
24 bring such a suit. On the other hand, if the suit is brought derivatively, as this action is brought, such
25 insurance coverage exists and will provide a basis for the Company to effectuate a recovery.

26 (h) To bring this action for breaching their fiduciary duties, the members of the
27 Altera Board would have been required to sue themselves and/or their fellow directors and allies in

1 the top ranks of the Company, who are their personal friends and with whom they have entangling
 2 financial alliances, interests and dependencies, which they would not do.

3 58. Plaintiff has not made any demand on shareholders of Altera to institute this action
 4 since such demand would be a futile and useless act for the following reasons:

5 (a) Altera is a publicly traded company with approximately 359 million shares
 6 outstanding, and thousands of shareholders;

7 (b) Making demand on such a number of shareholders would be impossible for
 8 plaintiff who has no way of finding out the names, addresses or phone numbers of shareholders; and

9 (c) Making demand on all shareholders would force plaintiff to incur huge
 10 expenses, assuming all shareholders could be individually identified.

11 **THE STOCK OPTION BACKDATING SCHEME AND ITS IMPACT
 12 ON ALTERA'S FINANCIAL STATEMENTS**

13 **The FY 1996 Form 10-K**

14 59. On or about March 27, 1997, the Company filed its FY 1996 Form 10-K with the
 15 SEC. The FY 1996 Form 10-K was simultaneously distributed to shareholders and the public. The
 16 FY 1996 Form 10-K included Altera's FY 1996 financial statements which were materially false and
 17 misleading and presented in violation of GAAP, due to improper accounting for the backdated stock
 18 options. As a result, Altera's compensation expense was understated and its net earnings were
 19 overstated.

20 **The FY 1997 Form 10-K405**

21 60. On or about March 30, 1998, the Company filed its FY 1997 Form 10-K405 with the
 22 SEC. The FY 1997 Form 10-K405 was simultaneously distributed to shareholders and the public.
 23 The FY 1997 Form 10-K405 included Altera's FY 1997 financial statements which were materially
 24 false and misleading and presented in violation of GAAP, due to improper accounting for the
 25 backdated stock options. As a result, Altera's compensation expense was understated and its net
 26 earnings were overstated.

1 **The FY 1998 Form 10-K**

2 61. On or about March 30, 1999, the Company filed its FY 1998 Form 10-K with the
 3 SEC. The FY 1998 Form 10-K was simultaneously distributed to shareholders and the public. The
 4 FY 1998 Form 10-K included Altera's FY 1998 financial statements which were materially false and
 5 misleading and presented in violation of GAAP, due to improper accounting for the backdated stock
 6 options. As a result, Altera's compensation expense was understated and its net earnings were
 7 overstated.

8 **The FY 1999 Form 10-K**

9 62. On or about March 24, 2000, the Company filed its FY 1999 Form 10-K with the
 10 SEC. The FY 1999 Form 10-K was simultaneously distributed to shareholders and the public. The
 11 FY 1999 Form 10-K included Altera's FY 1999 financial statements which were materially false and
 12 misleading and presented in violation of GAAP, due to improper accounting for the backdated stock
 13 options. As a result, Altera's compensation expense was understated and its net earnings were
 14 overstated.

15 **The FY 2000 Form 10-K**

16 63. On or about March 8, 2001, the Company filed its FY 2000 Form 10-K with the SEC.
 17 The FY 2000 Form 10-K was simultaneously distributed to shareholders and the public. The FY
 18 2000 Form 10-K included Altera's FY 2000 financial statements which were materially false and
 19 misleading and presented in violation of GAAP, due to improper accounting for the backdated stock
 20 options. As a result, Altera's compensation expense was understated and its net earnings were
 21 overstated.

22 **The FY 2001 Form 10-K**

23 64. On or about March 8, 2002, the Company filed its FY 2001 Form 10-K with the SEC.
 24 The FY 2001 Form 10-K was simultaneously distributed to shareholders and the public. The FY
 25 2001 Form 10-K included Altera's FY 2001 financial statements which were materially false and
 26 misleading and presented in violation of GAAP, due to improper accounting for the backdated stock
 27 options. As a result, Altera's compensation expense was understated and its net earnings were
 28 overstated.

1 **The FY 2002 Form 10-K**

2 65. On or about March 11, 2003, the Company filed its FY 2002 Form 10-K with the
3 SEC. The FY 2002 Form 10-K was simultaneously distributed to shareholders and the public. The
4 FY 2002 Form 10-K included Altera's FY 2002 financial statements which were materially false and
5 misleading and presented in violation of GAAP, due to improper accounting for the backdated stock
6 options. As a result, Altera's compensation expense was understated and its net earnings were
7 overstated.

8 **The FY 2003 Form 10-K**

9 66. On or about March 15, 2004, the Company filed its FY 2003 Form 10-K with the
10 SEC. The FY 2003 Form 10-K was simultaneously distributed to shareholders and the public. The
11 FY 2003 Form 10-K included Altera's FY 2003 financial statements which were materially false and
12 misleading and presented in violation of GAAP, due to improper accounting for the backdated stock
13 options. As a result, Altera's compensation expense was understated and its net earnings were
14 overstated.

15 **The FY 2004 Form 10-K**

16 67. On or about March 11, 2005, the Company filed its FY 2004 Form 10-K with the
17 SEC. The FY 2004 Form 10-K was simultaneously distributed to shareholders and the public. The
18 FY 2004 Form 10-K included Altera's FY 2004 financial statements which were materially false and
19 misleading and presented in violation of GAAP, due to improper accounting for the backdated stock
20 options. As a result, Altera's compensation expense was understated and its net earnings were
21 overstated.

22 **The FY 2005 Form 10-K**

23 68. On or about March 14, 2006, the Company filed its FY 2005 Form 10-K with the
24 SEC. The FY 2005 Form 10-K was simultaneously distributed to shareholders and the public. The
25 FY 2005 Form 10-K included Altera's FY 2005 financial statements which were materially false and
26 misleading and presented in violation of GAAP, due to improper accounting for the backdated stock
27 options. As a result, Altera's compensation expense was understated and its net earnings were
28 overstated.

1 69. The materially false and misleading FY 1996-2005 Form 10-Ks described above were
2 reviewed, prepared and/or endorsed by the Director Defendants. The FY 1996 10-K was signed by
3 defendant Sarkisian as the Vice President and CFO of Altera. He also signed the FY 1997-FY 2002
4 10-Ks as the Senior Vice President and CFO of Altera with former CEO and President Rodney
5 Smith signing as the Chairman of the Board. Defendant Daane signed the FY 2003-2005 Form
6 10-Ks as CEO and Chairman of the Board.

DEFENDANTS' SCHEME BEGINS TO UNRAVEL

8 70. The 1996-2005 Proxy Statements concealed Defendants' option backdating scheme.
9 Thus, the Company's shareholders remained unaware of Defendants' wrongdoing when voting on
10 proxy proposals between 1996 and 2005, until Altera announced on May 8, 2006, that the Company
11 would be unable to file its Form 10-Q for the period ended March 31, 2006, as a result of
12 management's recent review of the Company's stock option practices and issues concerning options
13 granted during the period 1996 through 2000. Then, on May 17, 2006, Altera announced that the
14 Company had received a Nasdaq Staff Determination notice representing that the Company was not
15 in compliance because it has not timely filed its Form 10-Q for the period ended March 31, 2006 and
16 the Company would be delisted from the Nasdaq Stock Market unless Altera requested a hearing
17 before a Nasdaq Listing Qualifications Panel.

THE ADVERSE IMPACT OF DEFENDANTS' MISCONDUCT

19 71. Unlike most companies which avoid such option backdating abuse by issuing stock
20 option grants at the same time each year, which eliminates the potential for backdating, Defendants
21 ensured that executives would not have any such restrictions. Given the many times Altera's grants
22 were the low of the month in which options were granted, the date of their stock option grants was
23 clearly more than merely coincidental.

24 72. As a result of the backdating of options, Defendants have been unjustly enriched at
25 the expense of Altera, which has received and will receive less money from Defendants when they
26 exercise their options at prices substantially lower than they would have if the options had not been
27 backdated.

TOLLING OF THE STATUTE OF LIMITATIONS

2 73. The Counts alleged herein are timely. As an initial matter, Defendants wrongfully
3 concealed their manipulation of the stock option plans, through strategic timing and fraudulent
4 backdating, by issuing false and misleading Proxy Statements, by falsely reassuring Altera's public
5 investors that Altera's option grants were being administered by a committee of independent
6 directors, and by failing to disclose that backdated options were, in fact, actually issued on dates
7 other than those disclosed, and that strategically timed option grants were issued based on the
8 manipulation of insider information that ensured that the true fair market value of the Company's
9 stock was, in fact, higher than the publicly traded price on the date of the option grant.

10 74. Altera's public investors had no reason to know of the Defendants' breaches of their
11 fiduciary duties until May 2006, when Altera announced that the Company would be forced to
12 review its historical stock options granting practices from 1996 to 2000. Then, on May 17, 2006,
13 Altera announced the Company had received a notice from Nasdaq officials informing it that it was
14 not in compliance with the exchange's regulations because of its decision to delay the filing of its
15 quarterly earnings report.

16 75. Finally, as fiduciaries of Altera and its public shareholders, the Defendants cannot
17 rely on any limitations defense where they withheld from Altera's public shareholders the facts that
18 give rise to the claims asserted herein, *i.e.*, that the Altera Board had abdicated its fiduciary
19 responsibilities to oversee the Company's executive compensation practices, and that the option
20 grant dates had been manipulated to maximize the profit for the grant recipients and, accordingly, to
21 maximize the costs for the Company.

COUNT I

Violations of §10(b) and Rule 10b-5 of the Exchange Act Against All Defendants

24 76. Plaintiff incorporates by reference and realleges each and every allegation set forth
25 above, as though fully set forth herein.

26 77. Throughout the relevant period, Defendants individually and in concert, directly and
27 indirectly, by the use and means of instrumentalities of interstate commerce and/or of the mails,

1 engaged and participated in a continuous course of conduct designed to divert hundreds of millions
2 of dollars to Defendants via improper option grants.

3 78. Defendants employed devices, schemes and artifices to defraud while in possession of
4 material, adverse non-public information and engaged in acts, practices and a course of conduct that
5 included the making of, or participation in the making of, untrue and/or misleading statements of
6 material facts and/or omitting to state material facts necessary in order to make the statements made
7 about Altera not misleading.

8 79. Defendants, as top executive officers and directors of the Company, are liable as
9 direct participants in the wrongs complained of herein. Through their positions of control and
10 authority as officers of the Company, each of the Defendants was able to and did control the conduct
11 complained of herein and the content of the public statements disseminated by Altera.

12 80. Defendants acted with scienter throughout the relevant period, in that they either had
13 actual knowledge of the misrepresentations and/or omissions of material facts set forth herein, or
14 acted with reckless disregard for the truth in that they failed to ascertain and to disclose the true
15 facts, even though such facts were available to them. Defendants were among the senior
16 management of the Company, and were therefore directly responsible for the false and misleading
17 statements and/or omissions disseminated to the public through press releases, news reports and
18 filings with the SEC.

19 81. Each of the Defendants participated in a scheme to defraud with the purpose and
20 effect of defrauding Altera.

21 82. By virtue of the foregoing, Defendants have violated §10(b) of the Exchange Act, and
22 Rule 10b-5 promulgated thereunder.

COUNT III

Violations of §14(a) of the Exchange Act Against All Defendants

25 83. Plaintiff incorporates by reference and realleges each and every allegation set forth
26 above, as though fully set forth herein.

1 84. Rule 14a-9, promulgated pursuant to §14(a) of the Exchange Act, provides that no
2 proxy statement shall contain “any statement which, at the time and in the light of the circumstances
3 under which it is made, is false or misleading with respect to any material fact, or which omits to
4 state any material fact necessary in order to make the statements therein not false or misleading.” 17
5 C.F.R. §240.14a-9.

6 85. The 1996-2005 Proxy Statements violated §14(a) and Rule 14a-9 because they
7 omitted material facts, including the fact that Defendants were causing Altera to engage in an option
8 backdating scheme, a fact which Defendants were aware of and participated in from at least 1995.

9 86. In the exercise of reasonable care, Defendants should have known that the Proxy
10 Statements were materially false and misleading.

11 87. The misrepresentations and omissions in the Proxy Statements were material to
12 plaintiff in voting on each Proxy Statement. The Proxy Statements were an essential link in the
13 accomplishment of the continuation of Defendants' unlawful stock option backdating scheme, as
14 revelations of the truth would have immediately thwarted a continuation of shareholders'
15 endorsement of the directors' positions, the executive officers' compensation and the Company's
16 compensation policies.

17 88. The Company was damaged as a result of the material misrepresentations and
18 omissions in the Proxy Statements.

COUNT III

Violations of §20(a) of the Exchange Act Against All Defendants

21 89. Plaintiff incorporates by reference and realleges each and every allegation set forth
22 above, as though fully set forth herein.

23 90. Defendants, by virtue of their positions with Altera and their specific acts, were, at the
24 time of the wrongs alleged herein, controlling persons of Altera within the meaning of §20(a) of the
25 Exchange Act. They had the power and influence and exercised the same to cause Altera to engage
26 in the illegal conduct and practices complained of herein.

COUNT IV

Accounting

3 91. Plaintiff incorporates by reference and realleges each and every allegation set forth
4 above, as though fully set forth herein.

5 92. At all relevant times, Defendants, as directors and/or officers of Altera, owed the
6 Company and its shareholders fiduciary duties of good faith, care, candor and loyalty.

7 93. In breach of their fiduciary duties owed to Altera and its shareholders, the Defendants
8 caused Altera, among other things, to grant backdated stock options to themselves and/or certain
9 other officers and directors of Altera. By this wrongdoing, the Defendants breached their fiduciary
10 duties owed to Altera and its shareholders.

11 94. The Defendants possess complete and unfettered control over their improperly issued
12 stock option grants and the books and records of the Company concerning the details of such
13 improperly backdated stock option grants to the Defendants.

14 95. As a result of Defendants' misconduct, Altera has been substantially injured and
15 damaged financially and is entitled to a recovery as a result thereof, including the proceeds of those
16 improperly granted options which have been exercised and sold

17 96. Plaintiff demands an accounting be made of all stock options grants made to
18 Defendants, including, without limitation, the dates of the grants, the amounts of the grants, the
19 value of the grants, the recipients of the grants, the exercise date of stock options granted to the
20 Defendants, as well as the disposition of any proceeds received by the Defendants via sale or other
21 exercise of backdated stock option grants received by the Defendants.

COUNT V

Breach of Fiduciary Duty and/or Aiding and Abetting Against All Defendants

24 97. Plaintiff incorporates by reference and realleges each and every allegation set forth
25 above, as though fully set forth herein.

26 98. Each of the Defendants agreed to and did participate with the other Defendants and/or
27 aided and abetted one another in a deliberate course of action designed to divert corporate assets in
28 breach of fiduciary duties the Defendants owed to the Company.

1 99. The Defendants have violated fiduciary duties of care, loyalty, candor and
2 independence owed to Altera and its public shareholders, have engaged in unlawful self-dealing and
3 have acted to put their personal interests and/or their colleagues' interests ahead of the interests of
4 Altera and its shareholders.

5 100. As demonstrated by the allegations above, Defendants failed to exercise the care
6 required, and breached their duties of loyalty, good faith, candor and independence owed to Altera
7 and its public shareholders, and they failed to disclose material information and/or made material
8 misrepresentations to shareholders regarding Defendants' option backdating scheme.

9 101. By reason of the foregoing acts, practices and course of conduct, the Defendants have
10 failed to exercise ordinary care and diligence in the exercise of their fiduciary obligations toward
11 Altera and its public shareholders.

12 102. As a proximate result of Defendants' conduct, Altera has been injured and is entitled
13 to damages.

COUNT VI

Abuse of Control Against All Defendants

16 103. Plaintiff incorporates by reference and realleges each and every allegation set forth
17 above, as though fully set forth herein.

18 104. The Defendants employed the alleged scheme for the purpose of maintaining and
19 entrenching themselves in their positions of power, prestige and profit at, and control over, Altera,
20 and to continue to receive the substantial benefits, salaries and emoluments associated with their
21 positions at Altera. As a part of this scheme, Defendants actively made and/or participated in the
22 making of or aided and abetted the making of, misrepresentations regarding Altera.

23 105. Defendants' conduct constituted an abuse of their ability to control and influence
24 Altera.

25 106. By reason of the foregoing, Altera has been damaged.

COUNT VII

Gross Mismanagement Against All Defendants

3 107. Plaintiff incorporates by reference and realleges each and every allegation set forth
4 above, as though fully set forth herein.

5 108. Defendants had a duty to Altera and its shareholders to prudently supervise, manage
6 and control the operations, business and internal financial accounting and disclosure controls of
7 Altera.

8 109. Defendants, by their actions and by engaging in the wrongdoing described herein,
9 abandoned and abdicated their responsibilities and duties with regard to prudently managing the
10 businesses of Altera in a manner consistent with the duties imposed upon them by law. By
11 committing the misconduct alleged herein, Defendants breached their duties of due care, diligence
12 and candor in the management and administration of Altera's affairs and in the use and preservation
13 of Altera's assets.

14 110. During the course of the discharge of their duties, Defendants knew or recklessly
15 disregarded the unreasonable risks and losses associated with their misconduct, yet Defendants
16 caused Altera to engage in the scheme complained of herein which they knew had an unreasonable
17 risk of damage to Altera, thus breaching their duties to the Company. As a result, Defendants
18 grossly mismanaged Altera.

111. By reason of the foregoing, Altera has been damaged.

COUNT VIII

Constructive Fraud Against All Defendants

22 112. Plaintiff incorporates by reference and realleges each and every allegation set forth
23 above, as though fully set forth herein.

24 113. As corporate fiduciaries, Defendants owed to Altera and its shareholders a duty of
25 candor and full accurate disclosure regarding the true state of Altera's business and assets and their
26 conduct with regard thereto.

27 114. As a result of the conduct complained of, Defendants made, or aided and abetted the
28 making of, numerous misrepresentations to and/or concealed material facts from Altera's

1 shareholders despite their duties to, *inter alia*, disclose the true facts regarding their stewardship of
2 Altera. Thus they have committed constructive fraud and violated their duty of candor.

3 115. By reason of the foregoing, Altera has been damaged.

4 **COUNT IX**

5 **Corporate Waste Against All Defendants**

6 116. Plaintiff incorporates by reference and realleges each and every allegation set forth
7 above, as though fully set forth herein.

8 117. By failing to properly consider the interests of the Company and its public
9 shareholders, by failing to conduct proper supervision, and by giving away millions of dollars to
10 Defendants via the option backdating scheme, Defendants have caused Altera to waste valuable
11 corporate assets.

12 118. As a result of Defendants' corporate waste, they are liable to the Company.

13 **COUNT X**

14 **Unjust Enrichment Against All Defendants**

15 119. Plaintiff incorporates by reference and realleges each and every allegation set forth
16 above, as though fully set forth herein.

17 120. As a result of the conduct described above, Defendants will be and have been unjustly
18 enriched at the expense of Altera, in the form of unjustified salaries, benefits, bonuses, stock option
19 grants and other emoluments of office.

20 121. All the payments and benefits provided to the Defendants were at the expense of
21 Altera. The Company received no benefit from these payments. Altera was damaged by such
22 payments.

23 122. Certain of the Defendants sold Altera stock for a profit during the period of deception,
24 misusing confidential non-public corporate information. These Defendants should be required to
25 disgorge the gains which they have and/or will otherwise unjustly obtain at the expense of Altera. A
26 constructive trust for the benefit of the Company should be imposed thereon.

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COUNT XI

Against the Officer Defendants for Rescission

123. Plaintiff incorporates by reference and realleges each and every allegation contained above as though fully set forth herein.

5 124. As a result of the acts alleged herein, the stock option contracts between the Officer
6 Defendants and Altera entered into during the relevant period were obtained through Defendants'
7 fraud, deceit, and abuse of control. Further, the backdated stock options were illegal grants and thus
8 invalid as they were not authorized in accordance with the terms of the publicly filed contracts
9 regarding the Officer Defendants' employment agreements and the Company's stock option plan
10 which was also approved by Altera shareholders and filed with the SEC.

11 125. All contracts which provide for stock option grants between the Officer Defendants
12 and Altera and were entered into during the relevant period should, therefore, be rescinded, with all
13 sums paid under such contracts returned to the Company, and all such executory contracts cancelled
14 and declared void.

COUNT XII

Against the Insider Selling Defendants for Violation of California Corporations Code §25402

126. Plaintiff incorporates by reference and realleges each and every allegation set forth above, as though fully set forth herein.

127. At the time that the Insider Selling Defendants sold their Altera common stock as set
128 forth herein at ¶48, by reason of their high executive and/or directorial positions with Altera, the
129 Insider Selling Defendants had access to highly material information regarding the Company,
130 including the information set forth herein regarding the true adverse facts of Altera's improper
131 accounting.

128. At the time of such sales, that information was not generally available to the public or
25 the securities markets. Had such information been generally available, it would have significantly
26 reduced the market price of Altera shares at that time.

1 129. The Insider Selling Defendants, and each of them, had actual knowledge of material,
2 adverse non-public information and thus sold their Altera common stock in California in violation of
3 California Corporations Code §25402.

4 130. Pursuant to California Corporations Code §25502.5, the Insider Selling Defendants,
5 and each of them, are liable to Altera for damages in an amount up to three times the difference
6 between the price at which Altera common stock was sold by the Insider Selling Defendants, and
7 each of them, and the market value which Altera common stock would have had at the time of the
8 sale if the information known to these defendants, and each of them, had been publicly disseminated
9 prior to that time and a reasonable time had elapsed for the market to absorb the information.

COUNT XIII

Against the Insider Selling Defendants for Breach of Fiduciary Duties for Insider Selling and Misappropriation of Information

131. Plaintiff incorporates by reference and realleges each and every allegation set forth above, as though fully set forth herein.

132. At the time of the stock sales set forth herein, the Insider Selling Defendants knew the information described above, and sold Altera common stock on the basis of such information.

133. The information described above was proprietary non-public information concerning the Company's financial condition and future business prospects. It was a proprietary asset belonging to the Company, which the Insider Selling Defendants used for their own benefit when they sold Altera common stock.

134. At the time of their stock sales, the Insider Selling Defendants knew that the Company's revenues were materially overstated. The Insider Selling Defendants' sales of Altera common stock while in possession and control of this material adverse non-public information was a breach of their fiduciary duties of loyalty and good faith.

135. Since the use of the Company's proprietary information for their own gain constitutes a breach of the Insider Selling Defendants' fiduciary duties, the Company is entitled to the imposition of a constructive trust on any profits the Insider Selling Defendants obtained thereby.

PRAYER FOR RELIEF

WHEREFORE, plaintiff demands judgment as follows:

3 A. Awarding money damages against all Defendants, jointly and severally, for all losses
4 and damages suffered as a result of the acts and transactions complained of herein, together with pre-
5 judgment interest, to ensure Defendants do not participate therein or benefit thereby;

6 B. Directing all Defendants to account for all damages caused by them and all profits
7 and special benefits and unjust enrichment they have obtained as a result of their unlawful conduct,
8 including all salaries, bonuses, fees, stock awards, options and common stock sale proceeds and
9 imposing a constructive trust thereon;

10 C. Directing Altera to take all necessary actions to reform and improve its corporate
11 governance and internal control procedures to comply with applicable law, including, but not limited
12 to, putting forward for a shareholder vote resolutions for amendments to the Company's By-Laws or
13 Articles of Incorporation and taking such other action as may be necessary to place before
14 shareholders for a vote adoption of the following Corporate Governance policies:

15 (i) a proposal requiring that the office of CEO of Altera and Chairman of the
16 Altera Board of Directors be permanently held by separate individuals and that the Chairman of the
17 Altera Board meets rigorous “independent” standards;

18 (ii) a proposal to strengthen the Altera Board's supervision of operations and
19 develop and implement procedures for greater shareholder input into the policies and guidelines of
20 the Board;

21 (iii) appropriately test and then strengthen the internal audit and control functions;

22 (iv) rotate independent auditing firms every five years;

23 (v) control and limit insider stock selling and the terms and timing of stock option

24 grants; and

25 (vi) reform executive compensation.

26 D. Ordering the imposition of a constructive trust over Defendants' stock options and

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38 | Awarding punitive damages

1 F. Awarding costs and disbursements of this action, including reasonable attorneys',
2 accountants', and experts' fees; and

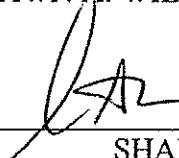
3 G. Granting such other and further relief as this Court may deem just and proper.

4 **JURY DEMAND**

5 Plaintiff demands a trial by jury.

6 DATED: July 17, 2006

7 LERACH COUGHLIN STOIA GELLER
8 RUDMAN & ROBBINS LLP
9 SHAWN A. WILLIAMS



10 SHAWN A. WILLIAMS

11 100 Pine Street, Suite 2600
12 San Francisco, CA 94111
13 Telephone: 415/288-4545
14 415/288-4534 (fax)

15 LERACH COUGHLIN STOIA GELLER
16 RUDMAN & ROBBINS LLP
17 WILLIAM S. LERACH
18 DARREN J. ROBBINS
19 TRAVIS E. DOWNS III
20 655 West Broadway, Suite 1900
21 San Diego, CA 92101
22 Telephone: 619/231-1058
23 619/231-7423 (fax)

24 Attorneys for Plaintiff

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CERTIFICATION OF INTERESTED ENTITIES OR PERSONS

Pursuant to Civil L.R. 3-16, the undersigned certifies that as of this date, other than the named parties, there is no such interest to report.

ATTORNEY OF RECORD FOR PLAINTIFF
WAYNE COUNTY EMPLOYEES'
RETIREMENT SYSTEM

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VERIFICATION

I, SHAWN A. WILLIAMS, hereby declare as follows:

3 1. I am a member of the law firm of Lerach Coughlin Stoia Geller Rudman & Robbins,
4 LLP, counsel for plaintiff in the above-entitled action. I have read the foregoing complaint and
5 know the contents thereof. I am informed and believe the matters therein are true and on that ground
6 allege that the matters stated therein are true.

7 2. I make this Verification because plaintiff is absent from the County of San Francisco
8 where I maintain my office.

Executed this 17th day of July, 2006 at San Francisco, California.

SHAWN A. WILLIAMS